

**EXECUTIVE SECRETARIAT****Routing Slip**

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI		✓		
2	DDCI		✓		
3	EXDIR				
4	D/ICS				
5	DDI				
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/EE0				
14	D/Pers				
15	D/OEA				
16	C/PAD/OEA				
17	SA/IA				
18	AO/DCI				
19	C/IPD/OIS				
20					
21					
22					

**SUSPENSE** \_\_\_\_\_  
Date \_\_\_\_\_

Remarks:

STAT

Executive Secretary

Date

3637 (10-8-1)

## THE WHITE HOUSE

WASHINGTON

February 22, 1983

Executive Registry

83-1002.

MEMORANDUM FOR THE VICE PRESIDENT  
 THE SECRETARY OF STATE  
 THE SECRETARY OF THE TREASURY  
 THE SECRETARY OF DEFENSE  
 THE ATTORNEY GENERAL  
 THE SECRETARY OF THE INTERIOR  
 THE SECRETARY OF AGRICULTURE  
 THE SECRETARY OF COMMERCE  
 THE SECRETARY OF LABOR  
 THE SECRETARY OF HEALTH AND HUMAN SERVICES  
 THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
 THE SECRETARY OF TRANSPORTATION  
 THE SECRETARY OF ENERGY  
 THE SECRETARY OF EDUCATION  
 THE COUNSELLOR TO THE PRESIDENT  
 THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET  
 THE DIRECTOR OF CENTRAL INTELLIGENCE  
 THE UNITED STATES REPRESENTATIVE TO THE  
 THE UNITED NATIONS  
 THE UNITED STATES TRADE REPRESENTATIVE

SUBJECT: The Defense Program

I have no doubt that the tremendous strides taken during the past two years to rebuild America's defense posture will, in time, restore our security to the point where we can have a high confidence that deterrence and peace can be preserved. However, we are only on the road to recovery and there is still much to be done.

The national security of our nation remains the highest priority of this Administration. The key to success will hinge on our ability to sustain the effort to rearm America.

There seems to be quite a bit of misunderstanding of my position on the Defense program. The fundamental argument I would make in support of the Defense program and budget is at the attachment. It is important, indeed crucial, that all members of my Administration support the Defense program and recognize its high priority. Therefore, I encourage you and your key officials to use the attached talking points in public presentations which lend themselves to a collateral discussion of our defense program.

Attachment

*Ronald Reagan*

DCI  
EXEC  
REG

L-299A  
L-273

MEETING THE DEFENSE CHALLENGE OF THE 1980s

It is a hard time to ask for defense spending levels necessary to maintain peace. It is hard to ask American families, who have made sacrifices in difficult economic times. It is hard to ask American businesses, which are struggling to reinvest for the future. And it has been hard for the President, who has dedicated his entire political career to reducing government spending.

By the same token, it is always easy to come up with arguments for reductions in defense spending. During periods of relative peace, it is easy to credit some new-found "peaceful intent" on the part of our adversaries, or the "spirit of detente." It is only when deterrence fails, when an adversary deliberately weighs the risks and still decides to act, that the dividends of a viable defense go unquestioned.

The defense budget was the subject of careful study and extraordinary deliberation. The overriding goal was to enhance the prospects of peace at minimum cost. Unessential programs have been eliminated. Savings have been made wherever possible. The planned increase to the last defense budget of the Carter Administration has been reduced by more than 50 percent. Economic risks and economic benefits have been carefully weighed. The defense budget presented to the Congress is a minimal budget to protect our vital interests, meet our commitments, and preserve the peace. To those who wish to cut it back further, the question that must be asked is which interests and which commitments should be abandoned?

A balanced view of the defense program requires careful consideration of the following key points.

First, we must develop a responsible understanding of the threat we face. Over the past twenty years the Soviet Union has accumulated enormous military power, while we have restrained our own efforts to the point where defense spending actually declined in real terms during most of the past decade. Today the Soviets out-invest us by nearly 2 to 1; and, even with our defense increases of the past two years, they outproduce us substantially in almost every category of weapons. Even more alarming, the Soviet military is acquiring not just more and better weapons, but they are strengthening what must be interpreted as an offensive force posture. Finally, Soviet military power has increasingly spread around the globe where they can now threaten our access to vital resources and our air and sea lines of communication, undermine our forward lines of defense in Europe and Korea, support revolutions worldwide, and challenge us even in our own hemisphere.

We must also recognize that the Soviets are in this for the long haul -- and therefore, if we want to remain secure, so must we be. If we continue our past pattern of rebuilding America's defenses in fits and starts, each time losing the gains we have made, then we will never convince the Soviet leadership that it is in their interest to sit down and negotiate genuine arms reduction. We will also burden the American taxpayer time and again with the high cost of crash rearmament. After all, the bills for a strong defense must be paid sooner or later. For instance, our land-based

missiles were designed in the fifties and installed in the sixties. Our aging bomber fleet is also a product of the Eisenhower and Kennedy years. Many of the B-52 pilots are younger than the aircraft they fly. We have expected to get a lot out of our strategic deterrent --- and we have. But that can only work for so long. We are now faced with block obsolescence and a corresponding and dangerous vulnerability to our strategic nuclear posture.

The fact is, these past fits and starts and a decade of neglecting our defenses even in the fact of an unparalleled Soviet military build-up have left this Administration, this Congress, and the American taxpayer stuck with double duty. We have to act quickly to increase basic deterrence, readiness, and staying power of our forces, so that they could meet any immediate crisis if one arose. At the same time we must make up for lost years of investment by undertaking the research and development, and the force modernization needed to meet crises that could arise in the future. We simply cannot avoid performing this double duty, unless we are willing either to take a chance on our immediate security, or to pass on the legacy of neglect we inherited and thereby fail to contribute to peace and stability in the world.

Through two world wars and other crises, the American people have consistently risen to the challenge of the times. The willingness of the American people to ensure our nation's security is not in doubt.

But in the past, we have had the time to scramble in order to restore our defense capabilities. We no longer have the luxury of

time to react. There is simply no responsible choice but to invest now -- this year, in this budget -- to restore the strength of America's defenses.

Attachment

Tab A      Facts and Figures

### The Soviet Threat

° Total Soviet investment in future military capabilities -- that is, production of weapons and other equipment, construction of military facilities, and research and development -- was nearly double ours by the early 1980s.

° Broken into component parts, Soviet investment in strategic nuclear forces was about three times higher than ours; investment in general purpose forces was about 50% higher, and investment in research and development was about twice our rate.

° Even with President Reagan's increases to the defense budget, we still fall far short of offsetting Soviet production of weapons. For example, the FY 1984 budget provides for 720 tanks while the Soviets' average annual production for their own forces is over 1,900 tanks. We are requesting funds for 190 artillery and rocket launchers; the Soviets' annual production is over seven times greater. In addition, they produce on the average twice as many combat aircraft and three times more warships than President Reagan has requested in his budget.

° The Soviets have also extended the reach of their military power. They have: acquired security and cooperative agreements worldwide; undertaken massive arms deliveries to Third World Countries -- double the amount we supplied from 1977-1981; acquired Cuban, East German and Libyan military proxies in Central America and Africa; greatly increased their power projection capabilities; expanded their overflight and access rights to operating bases in key parts of the world; and occupied Afghanistan.

### The Defense Program: Accomplishments

° The all-volunteer force made a dramatic turnaround in 1981, and was even more successful in 1982. Last year all three Services met and exceeded their recruiting quotas for the first time since 1976, and the percentage of recruits with high school diplomas was 86% last year (FY 82) up 18 percentage points from 1980.

° Military readiness improved substantially. The number of active units that are fully or substantially combat ready has increased by 32% since January 1981.

° Increases in the operating tempo of our forces -- more flying hours for pilots and field exercises for our units -- have provided invaluable additional training. For example, Air Force tactical crews now fly an average of about 18 hours per month -- nearly a 50% increase over the FY 1978 low of 13 hours.

° Increased funding for supplies and ammunition -- 30% above the Carter level in FY 1982, 50% above in FY 1983 -- have increased the number of days of munitions supply by 10%. When the materiel funded by the FY 1984 budget is delivered, we will have increased our ability to sustain combat by another 25% over the level we inherited. This helps ensure that no adversaries ever calculate they can outlast us.

#### Defense and the Economy

° Even with our planned increases, defense spending will be only 7.7% of GNP by 1988 (end of FY '84 FYDP), compared to the 8-9% which was typical during the 1950's and 1960's. (Year by year breakdown: 6.5% in 1983; 6.8% in 1984; 7.3% in 1985; 7.6% in 1986; 7.7% in 1987; and 7.7% in 1988.)

° Over the past two decades the growth in Federal spending has not been in defense, but in transfer payments, which grew 337% between 1962 and 1982 in real terms. During this same period, defense spending increased by 5%.

° In fact, during the 1970s, defense spending fell almost 20% in real terms, while federal transfer payments grew by 122%.

° It is interesting to note that in 1969, when defense outlays were high due to the Vietnam War -- about 43% of Federal spending -- the Federal budget was in surplus. In fact, 1969 was the last year of a budget surplus. In contrast, real defense outlays in FY 1983 will be less than they were in 1969 -- only about 27% of Federal spending. Yet we anticipate a significant budget deficit.

° At a time when less than 70% of America's manufacturing capacity is being used and unemployment exceeds 10% of the labor force, defense investments are important to a stronger GNP.